

LAW OFFICES  
**PRUITT, GUSHEE & BACHTELL**

Suite 1850 Beneficial Life Tower  
Salt Lake City, Utah 84111-1495  
(801) 531-8446

ROBERT G. PRUITT, JR.  
OLIVER W. GUSHEE, JR.  
THOMAS W. BACHTELL  
A. JOHN DAVIS, III  
JOHN W. ANDERSON  
FREDERICK M. MACDONALD  
ANGELA L. FRANKLIN

Telecopier  
(801) 531-8468

OF COUNSEL  
MICHAEL F. JONES  
JOHN F. WALDO  
BRENT A. BOHMAN

**TELECOPIER TRANSMITTAL COVER SHEET**

DATE: 7 / 15 / 94

PAGES (INCLUDING COVER SHEET): 6

FROM: Oliver W. Gushee, Jr.

CLIENT/MATTER NUMBER: 1089.25

**PLEASE DELIVER TO:**

<u>NAME</u>	<u>COMPANY</u>	<u>CITY/STATE</u>	<u>TELECOPIER NUMBER</u>
1. Rex Rowley	Bureau of Land Management	Filmore, UT	801/743-5112
2. Robert Lopez	Bureau of Land Management	Salt Lake City, UT	801/539-4260
3. Wayne Hodgeberg	DOGM	Salt Lake City, UT	801/359-3940
4. Larry Sower	Crystal Peak	Milford, UT	801/387-5503
5. David Newman	Crystal Peak	Houston, TX	713/529-2591

ORIGINAL TO FOLLOW VIA: U.S. MAIL ☒ FEDERAL EXPRESS ☐ NOT TO FOLLOW ☐

m/027/008

## LAW OFFICES

## PRUITT, GUSHEE &amp; BACHTTELL

SUITE 1850 BENEFICIAL LIFE TOWER

SALT LAKE CITY, UTAH 84111-1493

(801) 531-8446

TELECOPIER (801) 531-8468

ROBERT G. PRUITT JR.  
OLIVER W. GUSHEE JR.  
THOMAS W. BACHTTELL  
A. JOHN DAVIS, III  
JOHN W. ANDERSON  
FREDERICK M. MACDONALD  
ANGELA L. FRANKLIN

OF COUNSEL  
MICHAEL F. JONES  
JOHN F. WALDO  
BRENT A. BOHMAN

July 15, 1994

Rex Rowley  
Area Manager  
Bureau of Land Management  
Warm Springs Resource Area  
35 East 500 North  
P.O. Box 778  
Filmore, UT 84631

Re: Crystal Peak Minerals Corporation -  
Sevier Dry Lake Project ("Project")  
Your Reference 2800 UTU-58555 (U-055)

Reference is made to your letter of April 8, 1994 addressed to Larry Sower, General Manager of Crystal Peak Minerals Corporation, forwarded to me, as Utah counsel for the company, for review. In a telephone conference on April 21, 1994 with Nancy DeMille, Area Realty Specialist, I discussed the status of the termination of the Project, a pending settlement with the Minerals Management Service ("MMS") of accrued rental and advance royalty obligations on Crystal Peak's Federal Potassium Leases, relinquishment of the Federal Leases and completion of reclamation for the Project. Ms. DeMille suggested I write this letter for your consideration.

Crystal Peak Minerals Corporation (CPMC) filed relinquishments of all of its Sevier Dry Lake Project Federal potassium leases U-37863 through U-37912 on May 6, 1993. Federal regulations provide that relinquishments of leases are effective, as of the date of filing, when accepted by the Bureau of Land Management. I am pleased to report to you that settlement of claims of MMS was completed June 23, 1994 and we believe that there remains no deterrent to the acceptance of the relinquishments of the leases by BLM. The settlement involved payment of the total proceeds of the Federal Lease bond.

As noted in your April 8th letter, Sevier Dry Lake Project property interests include the water well situated on Federal lands in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 15, Township 24 South, Range 12 West, SLM, and the right-of-way granted by the BLM under U-58555 for the well site and the access road to it. BLM has requested that Crystal Peak convey the water well to it at this time.

Rex Rowley  
July 15, 1994  
Page 2

There still remains an issue of a relative minor act of reclamation on the Project which must be resolved prior to the time that the well can be conveyed to BLM and the right-of-way relinquished. By letter of March 14, 1994, copy of which is attached, the Warm Springs Resource Area provided Larry Sower, formerly Operations Manager and still a consultant of Crystal Peak Minerals Corporation, an evaluation of the completion of reclamation for the Sevier Lake project. Except for some minor clean-up, reclamation procedures have been completed with one possible contingent exception. That is, whether or not reseeding of an approximate 10 acre area would be required after three growing seasons if the vegetative ground cover is not sufficient to attain 70% of the vegetative cover on the surrounding undisturbed area. In that respect, BLM's letter of March 14, 1994 suggested that a \$5000 bond, currently held by the Utah Division of State Lands and Forestry, continue to be maintained for the Project. Also, DOGM holds a Crystal Peak \$59,000 Bond (self-bonding) Contract securing reclamation.

Because of that reseeding contingency, and the practicality of a water supply available to help, if necessary, with the reseeding of the small area involved, Crystal Peak Minerals Corporation is unable to surrender its interest in the well or the right-of-way until that matter is resolved. I would think you agree that it would be foolhardy for Crystal Peak to relinquish the only water source it controls if needed in connection with a continuing contingent reseeding responsibility. Incidentally, it is noted that the estimated costs for the reseeding would not exceed \$1700. Ms. DeMille and I discussed a possible resolution of Crystal Peak's contingent reseeding responsibility against BLM's desire for immediate transfer of the water well to BLM for its own uses and purposes.

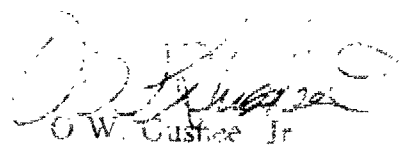
Crystal Peak proposes that BLM assume the contingent obligation relative to possible reseeding of the area of which is entirely federal land. With that assumption by BLM, there would, of course, be no need for retention of the water well by Crystal Peak or continuance of any bonds held by State agencies. Agreement of BLM, Utah Division of State Lands and Forestry and DOGM for the release of Crystal Peak's remaining bonds would be appropriate. Coincident with release of the bonds and receipt of BLM's decision accepting the relinquishment of the federal leases, Crystal Peak would acknowledge final termination and abandonment of the Project and Crystal Peak will deliver an assignment of its rights to the water well to BLM.

Rex Rowe,  
July 15, 1994  
Page 3

Since the project is being developed on entirely Federal lands, we believe that  
DOGM should be the primary agency for the practical conclusion of the Project. By copy of  
this letter to the Director, DOGM, information accordingly.

P.04

Very truly yours



O.W. Custice Jr.

OWC:rg

cc: Skoer, L. rez, State Office, BLM

Wayne Henberg, DOGM

John S. ...

... .. Crystal Park